

MSINGA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2015

In terms of section 126 (1) of the Municipal Finance Management Act ,
I am responsible for the annual financial statements, which are set out on
pages 5 to 39, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed
in note 16 of these annual financial statements are within the upper limits of
the framework envisaged in Section 219 of the Constitution, read with the
Remuneration of Public Officer Bearers Act and the Minister of Provincial and
Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER

28 August 2015
Date

Annual Financial Statements

for

Msinga Municipality

for the year ended 30 JUNE : 2015

Province: KwaZulu Natal

AFS rounding: *R (i.e. only cents)*

Contact Information:

Name of Municipal Manager:

Name of Chief Financial Officer: JS Pansegrouw
Contact telephone number: 033-4930761
Contact e-mail address: Kosie.pansegrouw@msinga.org

Name of contact at provincial treasury: Leneo Mofaka
Contact telephone number: 033-8974423
Contact e-mail address: Leneo.mofaka@treasury.gov.za

Name of relevant Auditor: Auditor-General South Africa
Contact telephone number: 033-2647400
Contact e-mail address: johnnys@agsa.co.za

Name of contact at National Treasury: Unathi Ndobeni
Contact telephone number: 012-3155103
Contact e-mail address: Unathi.ndobeni@treasury.gov.za

Msinga Municipality
Financial Statements
for the year ended 30 June 2015
General information

Members of the Council

FJ Sikhakane
SG Masimula
TL Kunene

Mayor
Honourable Speaker
Deputy Mayor

B Mthethwa
RN Ngubane
MPS Mshibe
B N Zondi
B Dumakude

Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

Municipal Manager

FB Sithole

Chief Financial Officer

JS Pansegrouw

Grading of Local Authority

Grade 2

Auditors

Auditor-General South Africa

Bankers

ABSA Bank

Effective 1st July 2001

Msinga Municipality
Financial Statements
for the year ended 30 June 2015

General information (continued)

Registered Office: Tugela Ferry

Physical address: Main Road
Tugela Ferry

Postal address: Private Bag X530
Tugela Ferry
3010

Telephone number: 033-4930761

Fax number: 033-4930757

E-mail address: fanozi.sithole@msinga.org

Msinga Municipality
FINANCIAL STATEMENTS
For the year ended 30 June 2015

Index	Page
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Notes to the Annual Financial Statements	10
Actual versus Budget (revenue and expenditure) Statement	33
Actual versus Budget (capital) Statement	34
Appendix A: Analysis of Property, Plant and Equipment	35
Appendix B: Segmental Statement of Financial Performance	36
Disclosures of Grants and Subsidies in Terms of the Municipal Finance Management Act	37

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	<u>Note</u>	<u>2015</u> <u>R</u>	<u>2014</u> <u>R</u>
ASSETS			
Current assets		84,076,268	88,375,633
Cash and cash equivalents	2	69,268,817	84,198,453
Trade receivables from exchange transactions	3	8,049,028	2,200,592
Other receivables from non-exchange transactions	4	48,046	48,046
VAT receivable	6	6,710,377	1,928,542
Non-current assets		153,771,337	126,925,444
Property, plant and equipment	7	153,771,337	126,925,444
Total assets		<u>237,847,605</u>	<u>215,301,077</u>
LIABILITIES			
Current liabilities		25,537,852	19,700,951
Trade and other payables	8	6,126,379	2,822,239
Unspent conditional grants and receipts	9	17,220,473	16,878,712
Non -Current liabilities		369,000	310,000
Long service awards	11	369,000	310,000
Total liabilities		<u>23,715,852</u>	<u>20,010,951</u>
Net assets		<u>214,131,753</u>	<u>195,290,126</u>
NET ASSETS			
		211,940,753	195,290,126
Accumulated surplus	10	214,131,753	195,290,126
Total net assets		<u>214,131,753</u>	<u>195,290,126</u>

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015

REVENUE	<u>NOTE</u>	<u>2015</u>	<u>2014</u>
Property rates	12	9,745,290	4,957,046
Service charges	13	77,758	46,900
Rental of facilities and equipment		450,549	474,871
Interest earned - external investments	15	6,865,323	5,185,110
Government grants and subsidies	14	148 949 906	124,963,814
Other income		164,472	121,527
Gain on disposal of Property, Plant and Equipment			80,937
Total Revenue		<u>166,253,298</u>	<u>135,830,205</u>
EXPENDITURE			
Employee related costs	16	22,575,970	18,480,197
Remuneration of Councillors	17	9,752,381	8,711,222
Long service benefits	11	59,000	310,000
Bad debts		1 000,000	147,015
Depreciation		18 355 729	14,129,614
Repairs and maintenance		13,970,259	7,455,922
Contracted services	20	2,725,850	2,233,318
Grants and subsidies paid	18	19,246,222	8,553,724
General expenses	19	59,726,260	44,350,212
Total Expenditure		<u>147,411,671</u>	<u>104,371,224</u>
Surplus for the year		<u><u>18,841,627</u></u>	<u><u>31,458,981</u></u>

MSINGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2015

	Accumulated Surplus	Total
	R	R
2015		
Balance at 30 June 2014	195,290,126	195,290,126
Surplus for the year	18,841,627	18,841,627
Balance at 30 June 2015	214,131,753	214,131,753
2014		
Balance at 30 June 2013	163,831,145	163,831,145
Surplus for the year	31,458,981	31,458,981
Balance at 30 June 2014	195,290,126	195,290,126

**MSINGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2015**

	<u>Note</u>	<u>2015</u> <u>R</u>	<u>2014</u> <u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from consumers and government		150,290,465	132,084,712
Cash paid to suppliers and employees		(126,883,801)	(91,979,705)
Cash generated from operations	21	23,406,664	40,105,007
Interest received		6,865,323	5,185,110
Net cash flows from operating activities		<u>30,271,987</u>	<u>45,290,117</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(45,817,315)	(34,764,358)
Purchase of intangible assets			
Proceeds from sale of fixed assets		615,692	217,384
Net cash flows from investing activities		<u>(45,201,623)</u>	<u>(34,546,974)</u>
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)			
Increase (decrease) in consumer deposits			
Increase (decrease) in short term loans			
Net cash flows from financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(14,929,636)</u>	<u>10,743,143</u>
Net increase / (decrease) in net cash and cash equivalents		(14,929,636)	10,743,143
Net cash and cash equivalents at beginning of period		84,198,453	73,455,310
Net cash and cash equivalents at end of period	2	<u>69,268,817</u>	<u>84,198,453</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

1 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of Annual Financial Statements
BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise, they are presented in South African Rand.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). Issued by the Accounting Standards Board in accordance with Section 122 (3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP. The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

Standards, amendments to standards and interpretations effective for financial periods commencing on or after 1 April 2013.

In the current year, the municipality has adopted the following interpretations that are effective for the current financial year and that are relevant to its operations.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue From Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
	10.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee benefits
GRAP 26	Impairment of Cash-generation Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP103	Heritage Assets
GRAP 104	Financial Instruments

The following GRAP standards have been approved but are not yet effective. Application of all the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance.

GRAP 105	Transfer of functions between entities under common control – issued November 2010
GRAP 106	Transfer of functions between entities not under common control – issued November 2010
GRAP 107	Mergers – issued November 2010

The municipality expects to adopt the standards for the first time once effective. Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. **Standards, amendments to standards and interpretation not yet effective or relevant.**
The following GRAP standard has been approved but an effective date has not been determined.

GRAP 18	Segment Reporting – issued February 2011
---------	--

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

1.1 Significant judgments and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas where assumptions and estimates are insignificant to the financial to the financial statements are set out below.

Debtors receivable

The municipality assesses its debtors receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated cash flows from the financial asset.

Useful lives of property, plant and equipment

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in the surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of respective assets.

During the year under review no significant assets have been impaired as the municipality is currently in the process of rehabilitating most of its infrastructure assets.

Provisions

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

Impairment testing

The municipality reviews and test the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Allowances for doubtful debt

The provision for impairment is measured as the difference between the assets carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognized in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of customers.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

2. PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure assets)

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalue amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Infrastructure		Other	
Roads and Paving	0-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Water	20	Office equipment	5
			1
Sewerage	20	Furniture and fittings	0
Community		Machinery and Equipm	7
Buildings	30	Tools	5
Recreational Facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3. INVESTMENT PROPERTY

3.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

3.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated.

FINANCIAL INSTRUMENTS

4.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

4.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

4.3 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

4.4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

4.5 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

4.6 CASH AND CASH EQUIVALENTS

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

5. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

6. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

9. LEASES

9.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

9.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

10. REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on normal consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

11. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

12. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

13. CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
2 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand		
Cash at bank	1,040,487	13,205,409
Call deposits	68,228,330	70,993,044
	<u>69,268,817</u>	<u>84,198,453</u>
The Municipality has the following bank accounts:		
Current account (Primary bank account)		
Absa Bank - Newcastle		
Branch		
Account number -		
4053635886		
Cash book balance at beginning of year	13,205,409	5,951,306
Cash book balance at end of year	1,040,487	13,205,409
Bank statement balance at beginning of year	16,562,914	9,499,372
Bank statement balance at end of year	6 225 390	16,562,914
3 Trade receivables from exchange transactions		
	Gross Balance	Provision for doubtful debts Net balance
Balances at 30 June 2015		
Service debtors		
Rates	16,531,224	8,613,856 7,917,368
Other	131 660	131,660
Total	<u>16,662,884</u>	<u>8,613,856 8,049,028</u>
Balances at 30 June 2014		
Service debtors		
Rates	9,465,905	7,613,856 1,852,049
Other	348,543	348,543
Total	<u>9,814,448</u>	<u>7,613,856 2,200,592</u>
Rates: Ageing		
Current (0 - 30 days)	816,340	674,188
31 - 60 days	668,056	602,397
61 to 90 days	628,506	600,623
91 - 120 days	497,270	600,556
121 days and over	13,921,052	6,988,141
Total	<u>16,531,224</u>	<u>9,465,905</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

		<u>2015</u>	<u>2014</u>			
	Refuse and other : Ageing					
	Current (0 - 30 days)	(30,514)	(45,032)			
	31 - 60 days	(269,237)	3,611			
	61 to 90 days	3,605	3,612			
	91 - 120 days	3,605	3,611			
	121 days and over	424,201	382,740			
	Total	<u>131,660</u>	<u>348,542</u>			
4	Other receivables from non - exchange transactions					
	Other	98,713	98,713			
	Less: Provision for Bad Debt	<u>(50,667)</u>	<u>(50,667)</u>			
	Total other receivables	<u>48,046</u>	<u>48,046</u>			
5	Long Term Receivables					
	Pre-paid expenses					
	Sundry loans					
	Provision Bad Debts					
		<u>0</u>	<u>0</u>			
	Less: Current portion transferred to current receivables					
		<u>0</u>	<u>0</u>			
6	VAT					
	VAT receivable	<u>6,710,377</u>	<u>1,928,542</u>			
		<u>6,710,377</u>	<u>1,928,542</u>			
	VAT is payable on the payments basis					
7	Property, Plant and Equipment					
	Reconciliation of carrying value					
		Land and buildings	Infrastr- ucture	Community	Other	Total
	Carrying value at 1 July 2014	13,804,541	90,177,691	12,977,847	9,965,362	126,925,441
	Cost	18,217,302	128,097,799	15,437,291	23,854,491	185,606,883
	Revaluation					
	Accumulated depreciation					
	- Cost	(4,412,761)	(37,920,108)	(2,459,444)	(13,889,129)	(58,681,442)
	- Revaluation					
	Acquisitions	1,820,497	28,128,609	5,773,829	10,094,380	45,817,315
	Transfer					0
	Capital under construction					
	Increases (decreases) in revaluation					
	Depreciation					
	- transfer					0
	- based on cost	(645,318)	(12,493,106)	(2,901,482)	(2,315,823)	(18,355,729)
	- based on revaluation					
	Carrying value of disposals					
	Cost/revaluation				(931,000)	(931,000)
	Accumulated depreciation				315,309	315,309

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Carrying value at 30 June 2015	14,979,720	105,813,194	15,850,194	17,128,228	153,771,336
Cost	20,037,799	156,226,408	21,211,120	33,017,871	230,493,198
Revaluation					
Accumulated depreciation					
- Cost	(5,058,079)	(50,413,214)	(5,360,926)	(15,889,643)	(76,721,862)
- Revaluation					

Reconciliation of carrying value	Land and buildings	Infra-structure	Community	Other	Total
Carrying value at 1 July 2013	13,601,870	79,296,507	5,602,652	7,926,118	106,427,147
Cost	17,399,362	106,496,171	6,837,197	20,358,199	151,090,929
Revaluation					
Accumulated depreciation					
- Cost	(3,797,492)	(27,199,664)	(1,234,545)	(12,432,081)	(44,663,782)
- Revaluation					

Acquisitions	817,940	21,601,628	8,600,094	3,744,695	34,764,357
Transfer		(2,892,648)	2,892,648		0
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- transfer		126,657	(126,657)		0
- based on cost	(615,269)	(10,720,444)	(1,224,899)	(1,569,004)	(14,129,616)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation				(248,403)	(248,403)
Accumulated depreciation				111,956	111,956

Carrying value at 30 June 2014	13,804,541	90,177,691	12,977,847	9,965,362	126,925,441
Cost	18,217,302	128,097,799	15,437,291	23,854,491	185,606,883
Revaluation					
Accumulated depreciation					
- Cost	(4,412,761)	(37,920,108)	(2,459,444)	(13,889,129)	(58,681,442)
- Revaluation					

8 Trade and other payables

	<u>2015</u>	<u>2014</u>
Trade creditors	3,990,256	1,454,630
Retention		667,340
Payments received in advance	774,605	
Staff leave	1,339,623	680,219
Deposits other		670
VAT	21,895	19,380
	<u>6,126,379</u>	<u>2,822,239</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
9 Unspent Conditional Grants and Receipts		
3.1 Conditional grants from other spheres of government	17,220,473	16,878,712
Total conditional grants and receipts	<u>17,220,473</u>	<u>16,878,712</u>

Disclosure of grants and subsidies in terms of section 123 of MFMA ,Act 56 of 2003

Unspent Conditional Grants and Receipts

Grants - general	820,300	1,070,308
Grant - construction of shelters	272,397	289,999
Int Dev I - Structure Grant	88,940	100,936
MIG-Roads	5,357,368	5,206,324
Transition grant		
Tourism grant	2,184,612	2,234,159
Municipal support grant	2,239,981	1,216,220
Grants - general	742,600	1,080,271
Grant -Integrated development plan		203,575
Spacial dev Framework		100,000
Implementation of M F M Act		145,000
Inter departmental monitoring grant		100,000
Grant - LUMS		237,223
Grant - Project Consolidate	1,478,507	1,478,507
Grant - community development workers	128,890	128,890
Housing grant - Pomeroy project	84,857	108,677
Grant - LED capacity building	246,604	246,604
Internal control & Audit committee		
Housing grant - Kwalatha project		(23,820)
Resol phase 1		145,000
Info Investment programme		200,000
Sportsfields	167,280	526,619
E - Learning		209,045
Electrification programme		
Intern corporate	108,000	108,000
Thusong Centres	319,091	319,091
Sweet potato project	1,030,569	1,030,569
EPWP grant	1,950,477	417,513
	<u>17,220,473</u>	<u>16,878,710</u>

MIG Grant

Balance unspent at beginning of year	5,206,324	3,015,605
Current year receipts	36,513,000	31,844,000
Conditions met - transferred to revenue	(36,361,956)	(29,653,281)
Conditions still to be met - remain liabilities	<u>5,357,368</u>	<u>5,206,324</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
Finance Management Grant		
Balance unspent at beginning of year	0	0
Current year receipts	1,800,000	1,650,000
Conditions met - transferred to revenue	(1,800,000)	(1,650,000)
Conditions still to be met - remain liabilities	<u>0</u>	<u>0</u>
MSIG grant		
Balance unspent at beginning of year	0	0
Current year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
Conditions still to be met - remain liabilities	<u>0</u>	<u>0</u>
Grant - sportsfields		
Balance unspent at beginning of year	526,619	895,459
Current year receipts		300,000
Conditions met - transferred to revenue	(359,338)	(668,840)
Transfer		
Conditions still to be met - remain liabilities	<u>167,281</u>	<u>526,619</u>
Grant - electrification program		
Balance unspent at beginning of year		
Current year receipts	8,000,000	7,900,000
Conditions met - transferred to revenue	(8,000,000)	(7,900,000)
Grant returned to National Treasury		
Transfer		
Conditions still to be met - remain liabilities	<u>0</u>	<u>0</u>
Grant - EPWP		
Balance unspent at beginning of year	417,513	776,441
Current year receipts	1,899,000	1,115,000
Conditions met - transferred to revenue	(366,037)	(1,473,928)
Conditions still to be met - remain liabilities	<u>1,950,476</u>	<u>417,513</u>
Grant - Thusong Centres		
Balance unspent at beginning of year	319,091	531,015
Current year receipts		
Conditions met - transferred to revenue	(319,091)	(211,924)
Conditions still to be met - remain liabilities	<u>0</u>	<u>319,091</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
Grant - Sweet potato project		
Balance unspent at beginning of year	1,030,569	1,500,000
Current year receipts		
Conditions met - transferred to revenue		(469,431)
Conditions still to be met - remain liabilities	<u>1,030,569</u>	<u>1,030,569</u>

Other Government Grants and Subsidies

Balance unspent at beginning of year	9,378,594	12,716,951
Current year receipts	1,532,399	842,730
Conditions met - transferred to revenue	(2,213,819)	(4,181,087)
Transfer	17,603	
Conditions still to be met - remain liabilities	<u>8,714,777</u>	<u>9,378,594</u>

These amounts are invested in a ring - fenced investment until utilised.

10 ACCUMULATED SURPLUS

The following internal reserves are ring-fenced within the Accumulated Surplus :

Government Grant Reserve

Balance at 30 June 2014	116,184,755	99,419,862
Capital grants used to finance Property, Plant and Equipment	34,170,957	29,653,280
Offsetting of Depreciation	(16,195,343)	(12,888,387)
Balance at 30 June 2015	<u>134,160,369</u>	<u>116,184,755</u>
Other surplus funds	79,971,384	79,105,371
Total Accumulated Surplus	<u>214,131,753</u>	<u>195,290,126</u>

11 LONG SERVICE LEAVE AWARDS

Accrued liability at 30 June 2014	310,000	246,000
Current service cost	50 000	41,000
Interest cost	26 000	19,000
Benefits paid		
Actuarial loss/(Gains)	(17 000)	4,000
Accrued liability at 30 June 2015	<u>369,000</u>	<u>310,000</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
12 Property Rates		
Actual		
Residential	663,835	411,592
Agricultural	2,221,858	597,479
Commercial	2,480,293	1,169,329
State	6,543,883	3,391,726
Other	484,114	231,266
Total assessment rates	12,393,983	5,801,392
Less: Rates rebates	(2,648,693)	(844,346)
	<u>9,745,290</u>	<u>4,957,046</u>
Valuations		
Residential	340 000 000	
Commercial	103 485 000	
State	509 362 991	
Municipal	15 009 997	
Other	390 437 000	
Total property valuations	<u>1,417,337,988</u>	
13 Service Charges		
Refuse removal	<u>77,758</u>	46,900
	<u>77,758</u>	<u>46,900</u>
14 Government Grants and Subsidies		
Equitable share	100,755,000	77,850,000
Skills levy	66,869	15,324
Conditional grants utilised	48,128,037	47,098,489
	<u>148,949,906</u>	<u>124,963,813</u>
15 Interest		
Investment income	4,844,806	3,489,337
Interest on current account	2,020,517	1,695,773
	<u>6,865,323</u>	<u>5,185,110</u>
16 Employee Related Costs		
Employee related costs - salaries and wages	16,036,053	13,042,960
Employee related costs - contributions to UIF, pension and medical cost	2,821,279	2,491,410
Travel, vehicle, accommodation, subsistence and other allowances	2,019,446	1,432,687
Housing benefits and allowances		2,088
Overtime payments	474,936	449,122
Annual Bonus	1,224,256	1,061,930
Total employee related costs	<u>22,575,970</u>	<u>18,480,197</u>

There were no advances to employees. Loans to employees are set out in note 13.

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

		<u>2015</u>	<u>2014</u>
Remuneration of the Municipal Manager			
Annual remuneration		752,240	694,171
Performance bonus			
Car allowance		120,000	120,000
Contributions to Medical, Pension and UIF Funds		41,040	41,040
		<u>913,280</u>	<u>855,211</u>
Remuneration of the Chief Financial Officer			
Annual remuneration		<u>876,024</u>	<u>812,125</u>
Remuneration of other managers	2015		
		Corporate Services	Engineering Services
Annual remuneration		501,492	441,003
Performance bonus			473,313
Car allowance		84,000	72,000
		<u>585,492</u>	<u>526,113</u>
	2014		
		Corporate Services	Engineering Services
Annual remuneration		436,209	408,385
Performance bonus			439,861
Car allowance		84,000	72,000
		<u>520,209</u>	<u>492,661</u>
		<u>2015</u>	<u>2014</u>
17 Remuneration of Councillors			
Mayor		394,488	373,544
Deputy Mayor		562,678	532,214
Speaker		320,483	303,748
Executive committee members		2,415,863	2,001,124
Councillors		<u>6,058,869</u>	<u>6,231,316</u>
		<u>9,752,381</u>	<u>9,441,946</u>
In - kind benefits			
The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.			
The Mayor has use of a Council owned vehicle for official duties			
18 Grants and Subsidies Paid			
Free basic services		19,246,222	8,553,724
		<u>19,246,222</u>	<u>8,553,724</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
19 General Expenses		
Advertising	618,475	441,670
Aerial survey		528,783
Audit fees	835,561	656,898
Audit: internal	538,932	724,949
Admin fees	27,400	57,178
Bank charges	395 462	576,949
Awareness programme	1,999,381	1,427,705
Conference and seminars	112,199	29,376
Aids awareness	594,609	65,627
Disaster management	73,911	59,648
Electricity	671,236	669,441
Entertainment	267,767	178,111
Insurance	534,120	963,970
Indigent support	300,000	677,442
Legal fees	265,279	77,452
Licences	180,133	67,011
Emergency fund	2,584,675	2,533,670
Materials	15,486	23,897
Meetings/training	1,017,647	570,716
Pauper burials	518,762	264,275
Printing & stationary	364,995	137,037
Rent: offices		178,000
Security services	5,616 376	2,101,120
Special projects	4,106,451	1,927,544
Youth projects	1,567,300	1,510,543
Sport and recreation	2,000,527	1,651,869
Subsistence & travelling	3,153,249	1,792,136
Subscriptions	482,500	493,060
Sundries	8,614	34,843
Ploughing cost	508,180	501,750
Telephones	809,552	740,361
Agricultural project	392,795	447,484
Transport/vehicle cost	4,694,982	2,578,806
Valuation expenses	227,455	305,866
Ward committees	69,975	21,565
Water	123,388	67,982
Grant - general expenses	250,006	107,796
Msig expenses	935,200	1,296,654
Idp expenses	244,524	
Fmg expenses	1,800,000	1,622,306
Rural elec plan	16,955,879	8,784,817
Sport and recreation	359,339	668,840
Map expenses	112,507	311,522

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 19 continue		2015	2014
Transition grant expenses		936,200	3,596,466
Disaster fund housing		11,996	34,684
Tourism		150,030	
EPWP grant expenses		366,037	1,800,001
MPCC grant expenses		211,924	211,924
Library grant expenses		580,517	86,582
Tugela ferry housing			175,000
Sweet potato project			469,432
Public participation grant expense		11,250	
Contribution leave provision		659,404	99,453
Protective clothing		464,074	
		<u>59,726,261</u>	<u>44,350,211</u>
20 Contracted Services			
Management services		2,081,596	1,644,331
Professional fees		644,255	588,987
		<u>2,725,851</u>	<u>2,233,318</u>
21 Cash Generated by Operations			
Surplus for the year		18,841,627	31,458,981
Adjustment for :			
Depreciation		18,355,730	14,129,616
Surplus on disposal of property, plant and equipment			(80,937)
Contribution to long service provision		59,000	310,000
Contributions to bad debt provision		1,000,000	147,015
Investment income		(6,865,323)	(5,185,110)
Interest paid			
Operating surplus before working capital changes		31,391,034	40,779,565
(Increase) decrease in consumer debtors		(6,848,436)	(2,237,639)
(Increase) decrease in other debtors			(34,046)
Increase (decrease) in conditional grants and receipts		2,532,761	(2,556,760)
Increase (decrease) in creditors		1,113,140	361,648
(Increase) decrease in VAT		(4,781,835)	3,792,240
Increase (decrease) in provisions			
		<u>23,406,664</u>	<u>40,105,008</u>
22 Cash and Cash Equivalents			
Cash and cash equivalents included in the cash flow statement comprise the following amounts:			
Bank balances and cash		1,040,487	13,205,409
Call deposits		68,228,330	70,993,044
		<u>69,268,817</u>	<u>84,198,453</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
23 Additional Disclosures in Terms of Municipal Finance Management Act		
23.1 Contributions to organised local government		
Opening balance		
Council contributions		
Amount paid - current year	482,500	450,000
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>482,500</u>	<u>450,000</u>
23.2 Audit fees		
Opening balance		
Current year audit fee	835,561	656,898
Amount paid current year	835,561	656,898
Amount paid - previous years		
Balance unpaid (included in creditors)		<u>0</u>
23.3 VAT		
Opening balance	1 928 542	5,720,782
Current year output VAT	(62 063)	
Current year input VAT	9 656 828	8,759,257
Amount refunded by SARS - current year	(4 812 930)	(12,551,497)
Amount due by SARS - included in debtors	<u>6 710 377</u>	<u>1,928,542</u>
All VAT returns have been submitted by the due date.		
23.4 PAYE, UIF and Skills levy		
Opening balance		
Current year payroll deductions and Council UIF/Skills contributions	3,647,373	3,427,603
Amount paid - current year	3,647,373	3,427,603
Amount paid - previous years		
Balance unpaid (included in creditors)		
23.5 Pension and medical aid deductions		
Opening balance		
Current year payroll deductions and Council contributions	2,612,412	2,394,604
Amount paid - current year	2,612,412	2,394,604
Amount paid - previous years		
Balance unpaid (included in creditors)		
24 Capital Commitments		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure		
Community		
Heritage		
Other		
Housing Development Fund		
Investment properties		

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 24 continue

	<u>2015</u>	<u>2014</u>
- approved but not yet contracted for		
Infrastructure	33,048,000	37,713,000
Community	14,100,000	300,000
Heritage		
Other	4,850,000	7,500,000
Housing Development Fund		
Investment properties		
	<u>51,998,000</u>	<u>45,513,000</u>
 This expenditure will be financed from		
- government grants	38,048,000	36,513,000
- own resources	13,950,000	9,000,000
-		
	<u>51,998,000</u>	<u>45,513,000</u>

25 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2013. The Actuary advised that the fund is 93.1% funded as at the valuation date at the overall level. The financial position of the fund has thus improved since the previous valuation date. It has been recommended that the surcharge remain in force as "Scheme to Eliminate Deficiency" to firstly eliminate the shortfall and then to build up sufficient solvency reserves.

31.1 SUPERANNUATION FUND

The Actuary advised that the total Fund is 97.9% funded as at the valuation date at the overall level. The pensioner liabilities are fully funded and the liabilities in respect of active members are 96.2%. In the opinion of the Actuary the fund is not in a financially sound position, but the surcharge being paid is expected to restore the Fund to a sound financial condition within the period permitted by the FSB

31.3 Provident Fund

The actuary is satisfied that the fund was in a sound financial condition as at 31 March 2013.

26 Unauthorised Expenditure

Opening balance	0	0
Add: Unauthorised expenditure current year	16 675 512	4,755,408
Less: Amounts condoned	<u>-16 675 512</u>	<u>(4,755,408)</u>
Closing balance	<u>0</u>	<u>0</u>

26.1 Irregular Expenditure

Opening balance		
Add: Irregular expenditure current year		
Less: Amounts condoned		
	<u>0</u>	<u>0</u>

MSINGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	<u>2015</u>	<u>2014</u>
26.1 Deviation from SCM policy approved by Council		
Opening Balance	0	0
Deviations Current year	7 215 331	7,158,000
Authorised by Council	<u>-7 215 331</u>	<u>-7,158,000</u>
	<u>0</u>	<u>0</u>

MSINGA LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

REVENUE	Original Budget	Adjusted Budget	Final Budget	Actual outcome	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget	Explanation of significant variances
	R	R	R	R	R			
Property rates	9,765,000		9,765,000	9,745,290	(19,710)	100	100	
Service charges	43,000		43,000	77,758	34,758	181	181	
Rental of facilities and equipment	309,975		309,975	450,549	140,574	145	145	
Interest earned - external investments	5,700,000		5,700,000	6,865,323	1,165,323	120	120	Interest rate increase
Government grants and subsidies	154,548,000		154,548,000	148,949,906	(7,789,094)	95	95	R2 700 000 Less Equitable share
Other income	107,625		107,625	164,472	56,847	153	153	Received and grants not utilised
Sale of assets				-				
Total Revenue	<u>170,473,600</u>	-	<u>170,473,600</u>	<u>166,253,298</u>	<u>(6,411,302)</u>	96	96	
EXPENDITURE								
Employee related costs	21,484,500		21,484,500	22,575,970	1,091,470	105	105	Additional staff recruited not in budget
Remuneration of Councillors	11,625,619		11,625,619	9,752,381	(1,873,238)	84	84	Increase as gazetted less than budget
Long service benefits				59,000	59,000			
Bad debts	1,008,000		1,008,000	1,000,000	(8,000)	99	99	
Depreciation	18,748,365		18,748,365	18,355,729	(392,636)	98	98	
Repairs and maintenance	13,862,500		13,862,500	13,970,259	107,759	101	101	
Contracted services	3,087,500		3,087,500	2,725,850	(361,650)	88	88	
Grants and subsidies paid	17,225,000		17,225,000	19,246,222	2,021,222	112	112	Increase in electrical services
General expenses	57,692,419		57,692,419	59,726,260	2,033,841	104	104	Roll over projects and R 7 Million withheld by Treasury electricity grant
Total Expenditure	<u>144,733,903</u>	-	<u>144,733,903</u>	<u>147,411,671</u>	<u>2,677,768</u>	102	102	
Surplus for the year	<u>25,739,697</u>	-	<u>25,739,697</u>	<u>18,841,627</u>	<u>(9,089,070)</u>	65	65	

MSINGA LOCAL MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual	2015 Under Construction	2015 Total Additions	2015 Budget	2015 Variance	2015 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Land and Buildings							
Land							
Buildings	1,820,497		1,820,497	1,500,000	320,497		Additional building cost not provided for
	1,820,497		1,820,497	1,500,000	320,497		
Infrastructure							
Roads	28,128,609		28,128,609	36,513,000	(8,384,391)	(23)	The R 5773829 for sports fields included in road budget
	28,128,609	-	28,128,609	36,513,000	(8,384,391)		
Community Assets							
Sportsfields	5,773,829		5,773,829		5,773,829		See above
	5,773,829	-	5,773,829	-	5,773,829		
Other Assets							
Air conditioners						-	
Office equipment							
Furniture and fittings	79,890		79,890		79,890		
Machinery				400,000			
Motor vehicles	10,014,490		10,014,490	7,100,000	2,914,490	41	Roll over project previous year
	10,094,380		10,094,380	7,500,000	2,994,380		
Total	45,817,315		45,817,315	45,513,000	704,315	2	

MSINGA LOCAL MUNICIPALITY

APPENDIX A

MSINGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2015

	Opening Balance	Transfer	Cost/ Revaluation Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Transfer	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value
Land and Buildings												
Land												
Buildings	18,217,302		1,820,497			20,037,799	4,412,761		645,318		5,058,079	14,979,720
	18,217,302		1,820,497	-	-	20,037,799	4,412,761		645,318	-	5,058,079	14,979,720
Infrastructure												
Stormwater drainage												
Roads	125,205,151		28,128,609			153,333,760	37,793,451		12,493,106		50,286,557	103,047,203
	125,205,151	-	28,128,609	-	-	153,333,760	37,793,451	-	12,493,106	-	50,286,557	103,047,203
Community Assets												
Sports facilities	18,329,939		5,773,829			24,103,768	2,586,101		2,901,482		5,487,583	18,616,185
	18,329,939	-	5,773,829	-	-	24,103,768	2,586,101	-	2,901,482	-	5,487,583	18,616,185
Leased Assets												
Infrastructure												
Other Assets												
Refuse disposal site	1,531,890					1,531,890	1,531,890				1,531,890	-
Taxi rank	948,004					948,004	948,004				948,004	-
Fencing	584,030					584,030	584,030				584,030	-
Air conditioners	124,484					124,484	64,267		8,706		72,973	51,511
Office and computer equipment	2,446,369					2,446,369	1,924,181		147,809		2,071,990	374,379
Furniture and fittings	2,088,766		79,890			2,168,656	831,949		162,954		994,903	1,173,753
Machinery and equipment	213,666					213,666	65,452		21,429		86,881	126,785
Cellphones & radios	2,151					2,151	2,151				2,151	-
Motor vehicles	15,915,131		10,014,490		931,000	24,998,621	7,937,205		1,974,925	315,309	9,596,821	15,401,800
	23,854,491		10,094,380	-	931,000	33,017,871	13,889,129		2,315,823	315,309	15,889,643	17,128,228
Total	185,606,883		45,817,315	-	931,000	230,493,198	58,681,442		18,355,729	315,309	76,721,862	153,771,336

MSINGA LOCAL MUNICIPALITY

APPENDIX B

MSINGA LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014	2014	2014		2015	2015	2015
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
135,282,198	59,212,094	76,070,104	Executive and Council	168,283,432	82,460,665	85,822,767
406,228	9,899,728	(9,493,500)	Finance and Admin	386,967	14,726,590	(14,339,623)
	5,115,471	(5,115,471)	Planning and Development		7,626,091	(7,626,091)
	392,500	(392,500)	Health		1,128,296	(1,128,296)
94,878	4,959,168	(4,864,290)	Community & Social Services	153,834	7,651,177	(7,497,343)
	1,608,361	(1,608,361)	Public Safety		2,336,554	(2,336,554)
46,900	1,010,234	(963,334)	Waste Management	77,758	1,687,443	(1,609,685)
	21,608,100	(21,608,100)	Road Transport		31,798,854	(31,798,854)
	565,567	(565,567)	Other		644,694	(644,694)
		0				0
135,830,204	104,371,223	31,458,981	Sub - total	166,710,991	150,060,364	18,841,627

MSINGA LOCAL MUNICIPALITY

APPENDIX C

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003

Description	Unspent balance at 1 July 2014	Received 2014/2015	Adjustment 2014/2015	Expenditure 2014/2015	Transfer 2014/2015	Unspent balance at 30 June 2015
	R	R		R	R	R
Grants - general	1,070,308			250,007		820,301
Grant - construction of shelters	289,999		17,603			272,396
Int Dev I - Structure Grant	100,936			11,996		88,940
MIG-Roads	5,206,324	36,513,000		36,361,956		5,357,368
Transition grant	0			936,200	936,200	0
Tourism grant	2,234,159	681,000		730,547		2,184,612
Municipal support grant	1,216,220			112,507	1,136,268	2,239,981
Grants - general	1,080,271	851,399		211,923	(977,149)	742,598
Grant -Integrated development plan	203,575			244,524	40,949	0
Spacial dev Framework	100,000				(100,000)	0
Finance Management grant	0	1,800,000		1,800,000		0
Implementation of M F M Act	145,000				(145,000)	0
Inter departmental monitoring grant	100,000				(100,000)	0
Grant - LUMS	237,223				(237,223)	0
Grant - Project Consolidate	1,478,507					1,478,507
Grant - community development workers	128,890					128,890
MSIG grant	0	934,000		934,000		0
Housing grant - Pomeroy project	108,677				(23,820)	84,857
Grant - LED capacity building	246,604					246,604
Internal control & Audit committee	0					0
Housing grant - Kwalatha project	(23,820)				23,820	0
Resol phase 1	145,000				(145,000)	0
Info Investment programme	200,000				(200,000)	0
Sportsfields	526,619			359,338		167,281
E - Learning	209,045				(209,045)	0
Rural electricity plan	0	8,000,000		8,000,000		0
Intern corporate	108,000					108,000
Thusong Centres	319,091					319,091
Sweet potato project	1,030,569					1,030,569
EPWP grant	417,513	1,899,000		366,037		1,950,476
Tugela Ferry housing grant						
	16,878,710	50,678,399	17,603	48,128,035	0	17,220,471